Debt Statistics

2001/02

BRITISH COLUMBIA

Ministry of Finance

Honourable Gary Collins

Minister

104-02177/

Message from the Minister

I am pleased to present the eighth annual *Debt Statistics* report for fiscal year 2001/02.

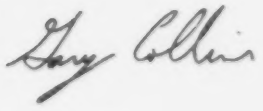
British Columbia's debt-per-capita and debt-to-GDP ratios remain the second lowest in Canada. As such, British Columbia continues to enjoy one of the highest credit ratings among the provinces, reflecting the strength of our balance sheet and the diversity of the provincial economy.

In February 2002 the government released its Budget and Fiscal Plan. For the first time, three-year forecasts were presented for the provincial debt. In addition, the ministry released its service plan, which contains performance measures relating to the management of provincial debt, including targets for each of the next three fiscal years. As 2001/02 was a year of transition, the performance measures in this year's report are baseline information as at March 31, 2002. In future *Debt Statistics* reports, a comparison of actual results to the targets established in the service plan, will be provided.

While it has been a challenging year, the budgetary and legislative changes we have made restore sound fiscal management to the province and will result in a prosperous economy for the long term.

The Report of the Auditor General for the year ended March 31, 2002, is included in Section 1. The Auditor General has not been associated with the development of the three-year fiscal plan or performance measures related to the management of provincial debt. The fiscal plan and performance measures are the responsibility of the government.

I welcome your comments and suggestions on this edition of the *Debt Statistics* report.



Gary Collins
Minister of Finance

PROVINCE OF BRITISH COLUMBIA
DEBT STATISTICS

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Section I

Province of British Columbia Debt Report

Report of the Auditor General of British Columbia

ON THE SUMMARY OF PROVINCIAL DEBT, KEY INDICATORS OF PROVINCIAL DEBT, AND SUMMARY OF PERFORMANCE MEASURES

To the Legislative Assembly of the Province of British Columbia

Preamble

Each year since 1995 the Auditor General has provided a special report to the Legislative Assembly on the accuracy of debt-related statements prepared by the Government. For the 2001/02 fiscal year these statements are the Summary of Provincial Debt, Key Indicators of Provincial Debt, and Summary of Performance Measures. Through these statements the Government reports on its debt management by presenting five years of information on provincial debt and debt indicators. In this report the Government has included the actual results of Performance Measures that it intends to monitor in the future. As such, I report on the actual baseline information for these Performance Measures for the fiscal year ended March 31, 2002.

Consistent with prior years, in these statements, and in budgets, the government reporting entity is that which is defined by the Canadian Institute of Chartered Accountants but excludes schools, universities, colleges and institutes, and health care organizations (SUCH sector). Accordingly, the provincial debt, whether directly borrowed or guaranteed by the Government, does not include amounts borrowed from private lenders by SUCH sector organizations. For the 2001/02 fiscal year, the outstanding balance of these excluded borrowings amounted to $580 million ($411 million for 2000/01).

The preparation of the three statements named above is the responsibility of the Government. My responsibility is to express an opinion on the accuracy of such information based on the above definition of the reporting entity and provincial debt.

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REPORT OF THE AUDITOR GENERAL
OF BRITISH COLUMBIA ON THE
SUMMARY OF PROVINCIAL DEBT,
KEY INDICATORS OF PROVINCIAL DEBT, AND
SUMMARY OF PERFORMANCE MEASURES

Scope

I examined financial and other information included in the statements titled Summary of Provincial Debt for the five years ended March 31, 2002, Key Indicators of Provincial Debt for the five years ended March 31, 2002, and Summary of Performance Measures for the year ended March 31, 2002 in accordance with procedures I considered necessary in the circumstances. These procedures include the verification of financial information extracted from financial statements audited by myself or by other auditors whose work I have reviewed on a test basis. They also include confirming or assessing the reasonableness of the non-financial and statistical data used by the Government on the Province's credit rating, population and gross domestic product; however, I did not perform an audit of such data.

Opinion

As a result of applying these procedures, I am of the opinion that the information included in the statements titled Summary of Provincial Debt for the five years ended March 31, 2002, Key Indicators of Provincial Debt for the five years ended March 31, 2002, and Summary of Performance Measures for the year ended March 31, 2002 are, in all significant respects, consistent with the sources from which they are extracted, and are presented in a consistent manner.

Disclaimer

I have not been associated with the development of the Government plans to manage provincial debt, nor have I audited them. This is the responsibility of the government. My responsibility is limited to examining the information included in the statements specifically referred to in the above scope paragraph, based on the definition of the reporting entity and provincial debt as outlined in the preamble to this report.

Wayne Strelioff

Victoria, British Columbia
May 24, 2002

Wayne Strelioff, CA
Auditor General

Summary of Provincial Debt

SUMMARY OF PROVINCIAL DEBT[1]
as at March 31

	2002	2001	2000	1999	1998
			($ millions)		
Taxpayer-supported debt					
Provincial government direct operating[2,3]	13,789	12,113	13,859	12,217	11,488
Education[4]					
Schools	4,092	3,880	3,609	3,261	2,990
Post-secondary institutions	1,425	1,383	1,369	1,336	1,362
	5,517	5,263	4,978	4,597	4,352
Health facilities[4]	1,920	1,780	1,451	1,282	1,417
Highways, ferries and public transit					
BC Transportation Financing Authority	2,514	2,197	1,843	1,433	1,089
British Columbia Ferry Corporation[3]	19	21	24	973	795
British Columbia Transit	79	75	79	59	1,579
Public transit[4]	936	948	952	987	—
SkyTrain extension[4]	1,044	836	488	133	—
Rapid Transit Project 2000 Ltd.	47	114	101	56	—
	4,639	4,191	3,487	3,641	3,463
Other					
British Columbia Buildings Corporation	596	610	615	715	735
552513 British Columbia Ltd. (Skeena Cellulose Inc.)[5]	—	337	—	—	—
Social housing[6]	299	265	205	183	175
Homeowner Protection Office	113	71	34	11	—
Universities and colleges	114	124	130	137	144
577315 British Columbia Ltd. (Western Star Trucks Holdings Ltd.)	—	—	62	—	—
580440 British Columbia Ltd. (Vancouver Trade and Convention Centre)[3]	—	—	3	29	—
Local governments	8	8	9	10	10
Other[2,7]	180	236	348	382	367
	1,310	1,651	1,406	1,467	1,431
Total taxpayer-supported debt	**27,175**	**24,998**	**25,181**	**23,204**	**22,151**
Self-supported debt					
Commercial Crown corporations and agencies:					
British Columbia Hydro and Power Authority	6,863	6,852	6,945	7,474	7,234
British Columbia Railway Company	614	603	655	607	503
552513 British Columbia Ltd. (Skeena Cellulose Inc.)[5]	—	—	280	221	157
Columbia Basin Power Company[8]	120	93	94	94	95
Columbia Power Corporation	64	20	—	—	—
British Columbia Liquor Distribution Branch	13	2	3	3	3
	7,674	7,570	7,977	8,399	7,992
Warehouse borrowing program	1,067	1,312	1,320	658	212
Total self-supported debt	**8,741**	**8,882**	**9,297**	**9,057**	**8,204**
Total provincial debt	**35,916**	**33,880**	**34,478**	**32,261**	**30,355**

[1] Debt is after deductions of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency debt accrued interest is reported in the government's accounts as an accounts payable. Figures for earlier years have been restated to conform with the presentation used for 2001/02.

[2] In fiscal 2001/02, there was a change in accounting treatment with respect to vehicle leases previously recorded as operating leases. These leases are now recorded as capital lease obligations and as a result government operating debt increased by $50 million in 2001/02 and has been restated as follows: 2000/01 — $44 million, 1999/00 — $26 million and 1998/99 – $27 million. In addition, other taxpayer debt has increased by $1 million in 2001/02 and has been restated by $1 million for each fiscal year from 1998/99 through 2000/01.

[3] Effective March 31, 2000, the provincial government assumed responsibility for the fiscal agency loans of the British Columbia Ferry Corporation ($1,080 million) and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre — $70 million).

[4] Represents government direct debt incurred for capital financing of education and health facilities and public transit infrastructure.

[5] Based on the outlook for world pulp prices and their potential impact on 552513 British Columbia Ltd. (Skeena Cellulose Inc.) the debt was reclassified as being taxpayer-supported in 2000/01. In fiscal 2001/02, the company's debt was assumed by the provincial government ($260 million) and by the minority shareholder ($94 million), as Skeena Cellulose Inc. was sold to the private sector.

[6] Includes debt of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation.

[7] Includes debt of the British Columbia Assessment Authority, Pacific Racing Association (fiscal agency loans), Victoria Line Ltd., student assistance loans, loan guarantees to agricultural producers, guarantees issued under economic development assistance programs and the former British Columbia home mortgage assistance and second mortgage programs, and non-guaranteed debt of the British Columbia Securities Commission, Forest Renewal BC, Legal Services Society, Okanagan Valley Tree Fruit Authority, Pacific National Exhibition, Tourism British Columbia, Oil and Gas Commission and Land and Water British Columbia Inc.
During the period 1995/96 to 1999/00, only an estimate for loan defaults had been included as government guarantees for student loans. Amounts have been restated to add the following guaranteed loans: 2000/01 — $129 million, 1999/00 — $224 million, 1998/99 — $226 million, 1997/98 — $187 million, 1996/97 — $128 million and 1995/96 — $53 million.

[8] Columbia Basin Power Company is a joint venture of the Columbia Power Corporation and Columbia Basin Trust.

Key Indicators of Provincial Debt[1] and Summary of Performance Measures

KEY INDICATORS OF PROVINCIAL DEBT
for the Fiscal Years Ended March 31

	2002					
	July 30 Update[2]	Actual	2001	2000	1999	1998
Debt to revenue (per cent)						
Total provincial	95.2	95.1	83.4	102.4	103.1	99.2
Taxpayer-supported	109.0	103.8	90.3	101.6	99.7	94.2
Debt per capita ($)[3]						
Total provincial	8,972	8,769	8,347	8,559	8,071	7,665
Taxpayer-supported	6,885	6,635	6,159	6,251	5,805	5,594
Debt to GDP (per cent)[4]						
Total provincial	28.2	27.5	26.6	28.6	27.9	26.5
Taxpayer-supported	21.7	20.8	19.6	20.9	20.1	19.3
Interest bite (cents per dollar of revenue)[5]						
Total provincial	6.8	6.4	6.4	7.5	7.8	7.6
Taxpayer-supported	7.4	6.6	6.8	7.2	7.4	7.0
Interest costs ($ millions)						
Total provincial	2,616	2,429	2,604	2,528	2,452	2,319
Taxpayer-supported	1,913	1,731	1,871	1,785	1,723	1,656
Interest rate (per cent)[6]						
Taxpayer-supported	7.2	6.6	7.5	7.4	7.6	7.6
Background Information:						
Revenue ($ millions)						
Total provincial[7]	38,624	37,764	40,618	33,679	31,294	30,593
Taxpayer-supported[8]	25,898	26,183	27,690	24,784	23,285	23,525
Total debt ($ millions)						
Total provincial	36,778	35,916	33,880	34,478	32,261	30,355
Taxpayer-supported[9]	28,220	27,175	24,998	25,181	23,204	22,151
Provincial GDP ($ millions)[10]	130,190	130,396	127,564	120,608	115,604	114,601
Population (thousands at July 1)[11]	4,099	4,096	4,059	4,028	3,997	3,960

[1] Figures for prior years have been restated to conform with the presentation used for 2002.
[2] Represents the forecast as presented in the Economic and Fiscal Update tabled July 30, 2001.
[3] The ratio of debt to population (e.g. 2001/02 debt divided by population at July 1, 2001).
[4] The ratio of debt outstanding at fiscal year end to provincial nominal gross domestic product (GDP) for the calendar year ending in the fiscal year (e.g. 2001/02 debt divided by 2001 GDP).
[5] The ratio of interest costs (less sinking fund interest) to revenue. Figures include capitalized interest expense in order to provide a more comparable measure to outstanding debt.
[6] Weighted average of the cost of all outstanding debt issues.
[7] Includes revenue of the Consolidated Revenue Fund plus revenue of all Crown corporations and agencies.
[8] Excludes revenue of commercial Crown corporations and agencies.
[9] Excludes debt of commercial Crown corporations and agencies and funds held under the province's warehouse borrowing program.
[10] GDP for the calendar year ending in the fiscal year (e.g. GDP for 2001 is used for the fiscal year ending March 31, 2002).
[11] Population at July 1st within the fiscal year (e.g. population at July 1, 2001 is used for the fiscal year ending March 31, 2002).

SUMMARY OF PERFORMANCE MEASURES[1]
Baseline Information
for the Fiscal Year Ended March 31, 2002

	2002 Actual
Provincial credit rating[2]	Aa2
Debt to GDP ratio[2]	2nd lowest
Debt service costs as a percentage of revenue[2]	2nd lowest

[1] New performance measures as presented in the Ministry of Finance Service Plan in February 2002.
[2] As per the Moody's Investor Service Inc. The debt to GDP and debt service costs as a percentage of revenue performance measures represent inter-provincial comparisons.

Section II

Debt Statistics Report

(unaudited)

Overview of Provincial Debt

The provincial government and its Crown corporations incur debt to finance operations and capital projects. The provincial government also provides financings to other organizations including some local government agencies. Borrowing for operations is required when revenues fall short of expenditures and to meet other cash requirements such as loans and investments. Borrowing for capital projects finances the building of schools, hospitals, roads and other social and economic capital assets. Similar to the private sector, the government spreads the cost of these projects over the asset's useful life.

Provincial debt falls into two categories: taxpayer-supported and self-supported.

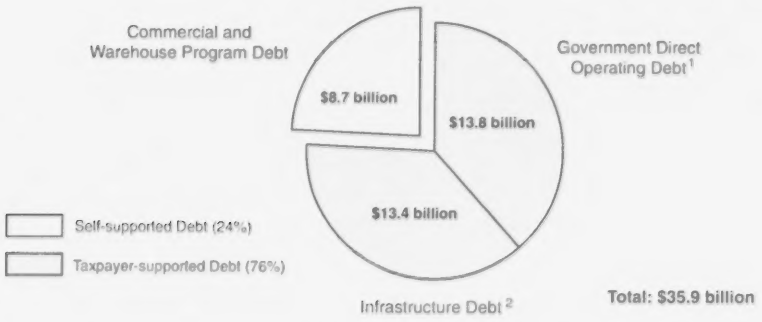
Taxpayer-supported debt includes government direct debt, which is incurred for government operations and capital purposes, and the debt of Crown corporations and agencies which require an operating or debt service subsidy from the provincial government. Examples include British Columbia Ferry Corporation, British Columbia Buildings Corporation, and the BC Transportation Financing Authority.

Self-supported debt includes the debt of commercial Crown corporations and agencies as well as the warehouse borrowing program. Commercial Crown corporations generate sufficient revenues to cover interest costs and repay principal, and may pay dividends to the province. The British Columbia Hydro and Power Authority and British Columbia Railway Company are examples of commercial Crown corporations. The warehouse borrowing program is used to take advantage of borrowing opportunities in advance of requirements. Eventually, this debt is allocated to either the province or its Crown corporations and agencies. In the interim, the funds are invested at market rates.

Chart 1 indicates the breakdown among various categories of provincial debt as at March 31, 2002. Provincial debt totaled $35.9 billion, equal to 27.5 per cent of the province's gross domestic product (GDP). Taxpayer-supported debt was $27.2 billion or 20.8 per cent of GDP. Self-supported debt, including the warehouse program, was $8.7 billion. Debt of Crown corporations and agencies is primarily incurred to build provincial infrastructure, such as ferries, roads, hospitals and schools.

CHART 1

CATEGORIES OF PROVINCIAL DEBT
As at March 31, 2002



[1] Includes a portion of roads infrastructure debt prior to 1994/95, and ferry infrastructure debt transferred in 1999/00.
[2] Includes debt of taxpayer-supported Crown corporations and agencies to finance capital projects (e.g., roads, ferries and public transit).

Financing Process

The provincial government and its Crown corporations and agencies meet borrowing requirements through a number of different financing programs. Borrowing is undertaken in different currencies and markets, and offered in fixed and floating rate form. This diversity reflects the differing purposes and client needs for which funds are required.

Most Crown corporation and agency borrowing is done through the Fiscal Agency Loan program. Under this program, the provincial government borrows directly in financial markets and relends the funds to Crown corporations and agencies on matching terms. The borrowing and financing costs remain the responsibility of the Crown corporations and agencies except in certain cases when the province provides a contribution to pay for all or part of the debt service costs. The Fiscal Agency Loan program provides lower-cost financing because of the province's strong credit rating and its ability to borrow at lower interest rates.

In some circumstances, Crown corporations and agencies may borrow directly from lenders; authority to borrow is provided by the government.

In addition to the "traditional" borrowing methods discussed above, the province reviews opportunities for alternative financing, for example, via public-private partnerships, as a means of meeting the growing demand for public infrastructure. One advantage of using alternative methods is that support from taxpayer revenues can be minimized (see discussion on Alternative Capital Procurement and Financing on page 19).

Historical Summary

The provincial government reports debt in two ways — on a gross and on a net basis.

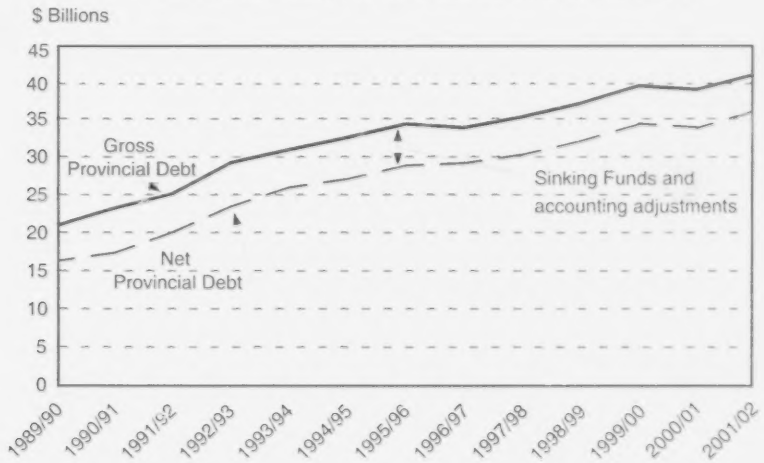
Gross debt: Is the aggregate principal amount of all outstanding debt in Canadian dollars, including notes, mortgages, bonds, commercial paper, capital leases, loans with provincial guarantees, and non-guaranteed debt of Crown corporations and agencies.

Net debt: Equals gross debt less accumulated sinking funds and other accounting adjustments, including unamortized discount and premium balances resulting from the market pricing of debt issues. Unless otherwise stated, the term debt refers to the province's net debt.

Chart 2 provides an historical perspective of the government's gross and net debt outstanding.

CHART 2

GROSS AND NET PROVINCIAL DEBT OUTSTANDING



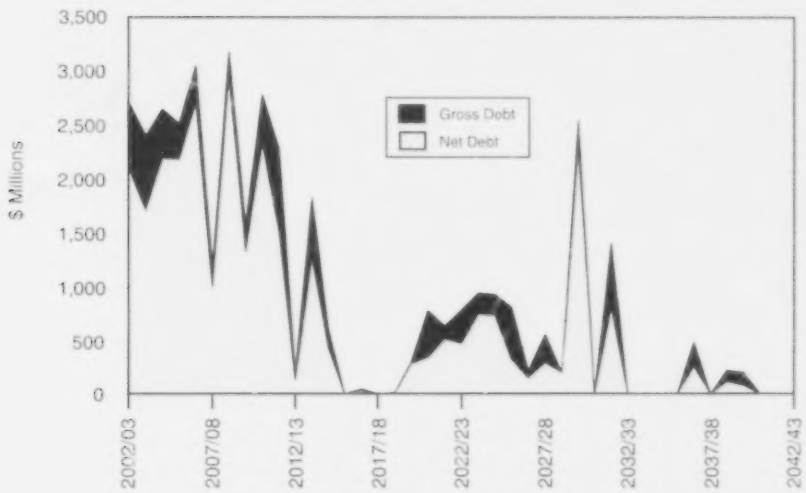
Sinking Funds

In order to manage the retirement of debt the provincial government uses sinking funds. The province's Crown corporations and agencies make annual sinking fund contributions for virtually all debt with a term of five or more years. Debt with a remaining term of one year or longer will, on average, be 22.5 per cent covered by existing sinking funds at maturity. At March 31, 2002, gross provincial debt totaled $40.7 billion. After deducting sinking funds of $4.7 billion and other accounting adjustments of $0.1 billion net provincial debt totaled $35.9 billion (see Appendix E).

CHART 3

PROVINCE OF BRITISH COLUMBIA NET DEBT MATURITIES

As at March 31, 2002



Administrative and Reporting Changes

There were amendments to the *Budget Transparency and Accountability Act (BTAA)* passed in fiscal 2001/02. These included establishing fixed budget dates, which are now the third Tuesday in February and outlining the requirements for service plans and annual service plan reports. The BTAA includes legislated dates for the release of financial reports, including the Public Accounts and Quarterly Reports, both of which include detailed information on the provincial debt.

On February 19, 2002 the government presented the Budget and Fiscal Plan. Included for the first time, were forecasts for the provincial debt and a number of debt indicators for the period covering 2002/03 to 2004/05. In addition, the Ministry of Finance Service Plan established a number of performance measures related to the management of provincial debt. These included the Provincial credit rating, and inter-provincial comparisons for the taxpayer-supported debt to GDP ratio and debt service costs as a percentage of revenue. As 2001/02 was a transition year, the Summary of Performance Measures are baseline information as at March 31, 2002 (see page 63). Targets have been established for these performance measures covering the three-year period from fiscal 2002/03 to fiscal 2004/05. In future *Debt Statistics* Reports, a comparison of actual results to the targets will be provided.

In fiscal 2001/02, the debt of Skeena Cellulose Inc. was assumed by the provincial government ($260 million) and by the minority shareholder ($94 million) as the company was sold to the private sector.

The BC Savings Bond program was discontinued in 2001/02, as less expensive financing sources can be obtained through domestic and international capital market issues. The province will continue to honour existing outstanding BC Savings Bonds.

Review of 2001/02 Borrowing and Changes in Debt

2001/02 Borrowing

Interest rates fell steadily during the first half of the fiscal year, particularly the short-term rates as central banks lowered rates on evidence of an economic slowdown. During the remainder of the fiscal year, long-term rates rose, ending at levels close to where they began the year, while short-term rates remained low.

The province's borrowing program did not start until mid-August 2001, as it was unable to borrow due to two budgets and the provincial election. In addition, the borrowing program had to be completed by the end of January 2002, as the province was unable to borrow in February and March 2002 due to the provincial budget and post-budget rating agencies' reviews. The borrowing strategy was to borrow 50 per cent floating rate debt and 50 per cent fixed rate debt to take advantage of low short-term rates, as well as lock in fixed rate debt at levels close to historical lows. Actual borrowings for 2001/02, were 70 per cent floating rate debt and 30 per cent fixed rate debt, as the province took advantage of the sharply lower short-term rates. The province anticipates fixing a portion of this debt at a future date. The majority of the borrowing program was completed by mid-November 2001.

TABLE 1
2001/02 PROVINCIAL BORROWING REQUIREMENTS AND CHANGE IN NET DEBT

	($ Millions)
Summary Operating Deficit	1,233
Capital requirements	2,308
Refinancing requirements	2,203
Less:	
Other financing requirements/(sources)[1]	(645)
Total requirements	5,099
Warehouse program draw-downs	(245)
Gross Borrowings[2]	**4,854**
Less: Debt maturities and changes in sinking fund balances	(2,818)
Net Increase in Provincial net debt	**2,036**

[1] Includes other financing requirements/(sources) for the province and its Crown corporations and adjustments for non-cash budgetary items.
[2] Includes long-term borrowings of $4,621 million and a net increase in short-term debt outstanding of $233 million.

During the fiscal year ending March 31, 2002, the government and its Crown corporations and agencies borrowed $4.8 billion to meet the requirements outlined in Table 1. Table 2 provides additional information on the 2001/02 borrowings by market.

Domestic market sources provided 37 per cent of the province's borrowings during the 2001/02 fiscal year. The remaining 63 per cent was funded through international markets, which will result in interest cost savings over the equivalent domestic funding of about $1.1 million per year. Total borrowings included:

- $2.9 billion from public international bonds;
- $1.25 billion from public Canadian bonds;
- $309 million from Canada Pension Plan issues; and
- $140 million from notes offered under the Domestic Medium Term Note (MTN) Program.

TABLE 2
LONG-TERM DEBT ISSUANCE, BY MARKET

Category	Number of Issues	Amount Raised ($ Millions)	Percent
Public Canadian Bonds[1]	4	1,250	27
Canadian MTNs	3	140	3
Canada Pension Plan	10	309	7
Public International Bonds[2]	6	2,922	63
Long-Term Debt Total	**23**	**4,621**	**100**
Increase in Short-Term Debt		233	
Total		**4,854**	

[1] Includes two private placements totalling $250 million.
[2] Includes one private placement totalling $156 million.

A description of the various financing programs is included in Appendix B.

For debt portfolio management purposes, the Debt Management Branch combines the government direct debt and the debt incurred for education, health facilities and public transit. This combined portfolio represents debt for which the government has direct responsibility for the associated debt service costs. As at March 31, 2002, floating rate exposure for the combined portfolio was 36.3 per cent, which was within the 45% limit established by the Risk Committee, and reflects the 2001/02 borrowing strategy. U.S. dollar exposure was 3.4 per cent and Japanese Yen exposure was 3.2 per cent of net debt; well within the 10 per cent total foreign currency limit set by the Risk Committee.

The Debt Management Branch also manages the Provincial Treasury Revenue (Matched Book) Program. The purpose of the program is to generate low-risk arbitrage profit for the government. This involves borrowing money at a cost which locks-in net revenue from the related investments. The program debt ($198.0 million as at March 31, 2002) is reported net of the related investments. As at March 31, 2002, the program had generated profits of $8.3 million since its commencement in 1990. In 2001/02, net revenue was $0.9 million. During fiscal 2001/02, the province entered into nine short-term trades, all with terms of three months, which generated profits of about $193,000.

Changes in Debt for 2001/02

Provincial net debt increased $2.0 billion from the previous year to total $35.9 billion at March 31, 2002 (27.5 per cent of GDP). The change was $862 million lower than planned due to lower capital expenditures (down $595 million), improved summary operating results ($267 million lower than forecast) and adjustments for non-cash items included in the deficit which did not result in borrowings ($467 million) partially offset by a higher than forecast balance in the warehouse program ($467 million). Chart 4 shows the change in total provincial debt for 2001/02.

CHART 4

CHANGE IN TOTAL PROVINCIAL DEBT
For the Year Ended March 31, 2002

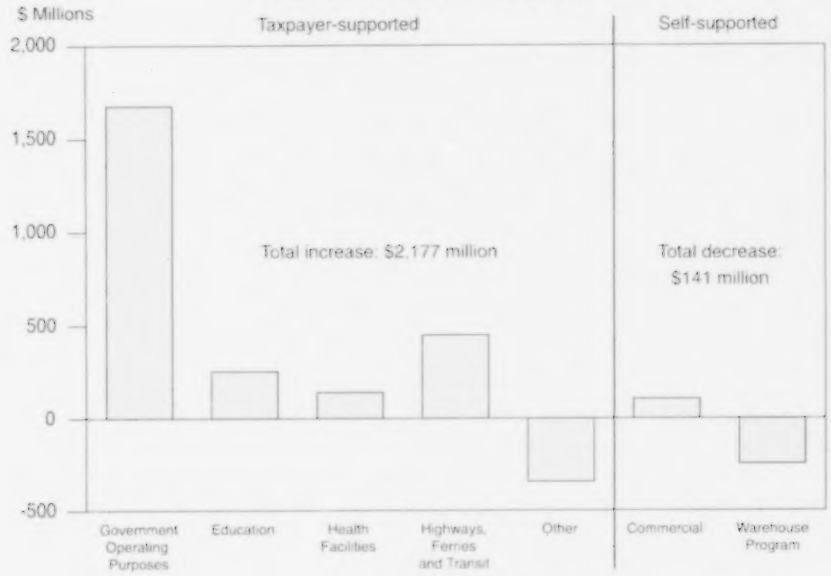
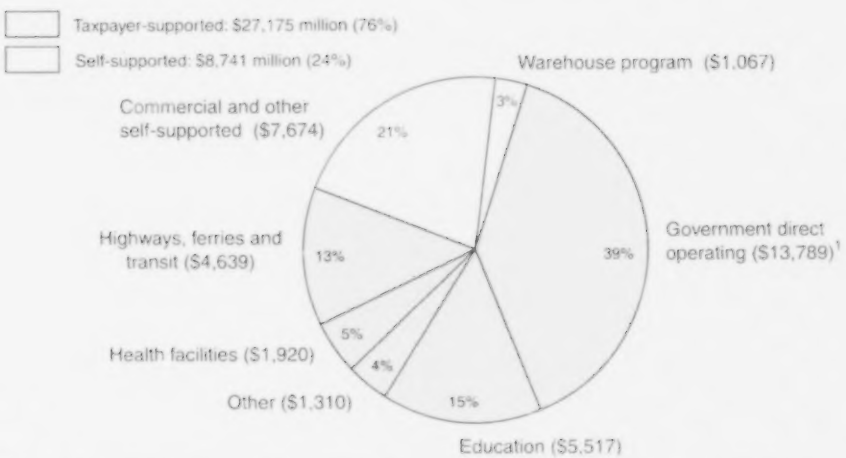


Chart 5 shows a breakdown by category of provincial debt outstanding at March 31, 2002.

CHART 5

PROVINCIAL DEBT
At March 31, 2002
Total: $35,916 million

Percent of Total
($ millions)



[1] Operating debt includes a portion of highway infrastructure debt incurred prior to 1994-95, ferry infrastructure debt transferred in 1999-00 and amounts required to finance operating deficits.

Taxpayer-supported Debt: At March 31, 2002 taxpayer-supported debt totaled $27.2 billion (20.8 per cent of GDP). This represents an increase in debt of $2.2 billion from the previous year. The change was $1.0 billion less than planned and includes:

Provincial government direct operating debt funds government operations, including refinancing of maturing debt and other financing transactions. During fiscal 2001/02, provincial government direct operating debt increased $1,676 million ($353 million lower than planned).

The increase in debt was a result of the following:

- a Consolidated Revenue Fund (CRF) operating requirement of $231 million;
- $601 million increase in cash and temporary investments; and
- $844 million of net disbursements from financing and working capital transactions (e.g. loans, investments, accounts receivable/payable transactions).

Education debt funds the construction of education related capital projects. Education capital financing debt increased $254 million, which was $88 million lower than planned due to delays in capital spending.

Health Facilities debt increased $140 million from the prior year. The increase was $101 million lower than planned due to lower than forecast capital spending during 2001/02.

Highways, ferries and public transit debt is incurred to finance transportation related infrastructure. Debt in this category increased $448 million during fiscal 2001/02. Debt incurred for road construction rose $317 million during the year and there was a $208 million increase in debt relating to the capital financing for the *SkyTrain* extension project. Other public transit related debt decreased by $77 million, primarily due to the reduced debt of Rapid Transit Project 2000 Ltd. (recoveries from *TransLink*). The increase in debt was $145 million lower than budgeted primarily due to lower than projected borrowings for the BC Transportation Financing Authority (reflecting lower than forecast capital spending and lower requirements for working capital requirements), the British Columbia Ferry Corporation (due to improved operating results and lower than forecast capital spending) and for the *SkyTrain* extension (lower capital spending).

Other taxpayer-supported debt includes the debt of British Columbia Buildings Corporation, 552513 British Columbia Ltd. (Skeena Cellulose), the Homeowner Protection Office, debt incurred to finance social housing, student residence and parking facilities at universities and colleges, and loan guarantees under various provincial programs.

Other taxpayer supported debt decreased $341 million during fiscal 2001/02, which was $358 million lower than planned. The reduction was due to the assumption of Skeena Cellulose Inc.'s debt by the government and the minority shareholder as the company was sold to the private sector.

Self-supported Debt: At March 31, 2002, self-supported debt totaled $8.7 billion (6.7 per cent of GDP). During 2001/02, debt decreased $141 million, compared to an expected decrease of $824 million. The debt changes include:

Commercial Crown corporations and agencies finance the construction and maintenance of transmission lines and generating facilities, rail systems and dock facilities. These corporations and agencies are self-supporting as they generate revenue from the sales of services at commercial rates and pay their own operating expenses, including debt service charges. During 2001/02 debt of commercial Crown corporations and agencies increased by $104 million compared to a projected decrease of $112 million. This variance is due to the higher than projected debt of British Columbia Hydro and Power Authority (resulting from lower than forecast earnings).

The warehouse borrowing program takes advantage of market opportunities to borrow money in advance of actual requirements. This debt is eventually allocated to either the province or its Crown corporations and agencies. In the interim, the money is invested and earns interest at market rates. The debt under this program decreased $245 million during the fiscal year, compared to an expected decrease of $712 million. The following factors help explain the substantial balance in the warehouse borrowing program:

- The province's borrowing requirements proved to be significantly less than estimated, due to higher than projected revenues and lower capital expenditures; and
- It was judged appropriate that the province be well funded in advance of the 2002/03 requirements ($7.0 billion including the forecast allowance).

Credit Rating

A credit rating is an evaluation of a borrower's ability to pay interest and to repay principal. A credit rating affects the borrower's debt servicing costs and the investor's rate of return since an investor will demand a higher interest rate on a more risky, lower-rated security.

Taxpayer-supported debt is a measure often used by investors and credit rating agencies when analyzing a province's investment quality. The ratio of a province's taxpayer-supported debt relative to its gross domestic product (GDP) highlights the ability of a province to manage its debt load. British Columbia's taxpayer-supported debt burden is one of the lowest in Canada, and this translates into a strong credit rating and lower debt service costs. Table 3 provides an interprovincial comparison of credit ratings.

TABLE 3
INTERPROVINCIAL COMPARISON OF CREDIT RATINGS

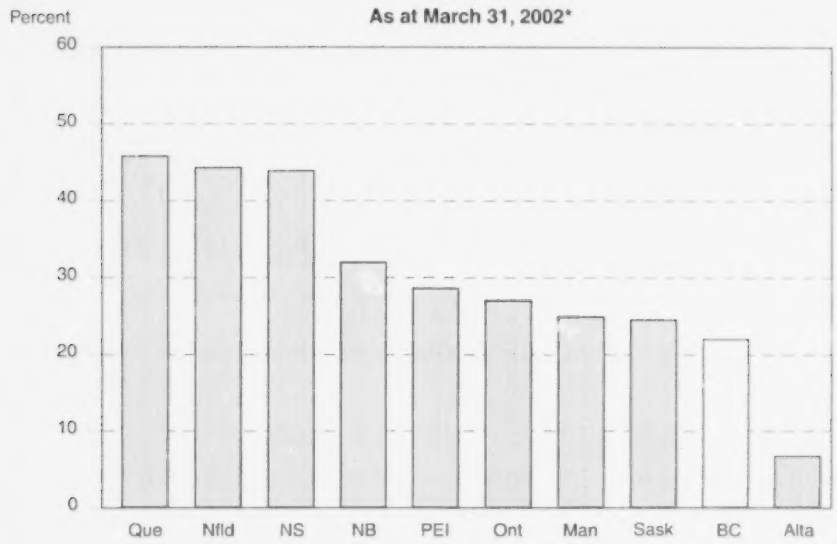
	Rating Agency[1]		
Province	Moody's Investors Service	Standard and Poor's	Dominion Bond Rating Service
British Columbia	Aa2	AA–	AA (Low)
Alberta	Aaa	AAA	AAA
Saskatchewan	Aa3	A+	A
Manitoba	Aa3	AA–	A
Ontario	Aa3	AA	AA
Quebec	A1	A+	A
New Brunswick	A1	AA–	A
Nova Scotia	A3	A–	BBB (High)
Newfoundland	A3	A–	BBB
Prince Edward Island	A2	Not Rated	A (Low)

[1] The rating agencies assign letter ratings to borrowers. The major categories, in descending order of credit quality are: AAA/Aaa; AA/Aa; A; BBB/Baa; BB/Ba; and B. The "1", "2", "3", "high", "low", "+", and "–" modifiers show relative standing within the major categories. For example, AA+ exceeds AA and Aa2 exceeds Aa3.

British Columbia retains one of the highest credit ratings among the provinces, reflecting its strong balance sheet and the depth and diversity of its economy. Among the provinces, Moody's calculates British Columbia's taxpayer-supported debt to GDP ratio and the taxpayer-supported debt per capita as the second lowest (see Charts 6 and 7).

CHART 6

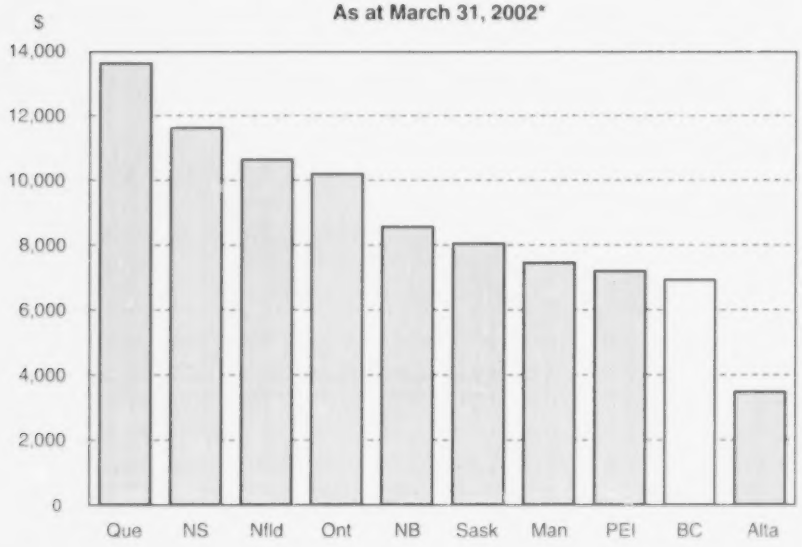
INTERPROVINCIAL COMPARISON OF TAXPAYER-SUPPORTED DEBT AS A % OF GDP
As at March 31, 2002*



* Source: Moody's Investors Service, May, 2002

CHART 7

INTERPROVINCIAL COMPARISON OF TAXPAYER-SUPPORTED DEBT PER CAPITA
As at March 31, 2002*



* Source: Moody's Investors Service, May, 2002.

Capital Spending

Borrowing can finance the building of schools, hospitals, roads, and other provincial infrastructure. These investments provide essential services today and also benefit future generations of British Columbians. The need for capital infrastructure in British Columbia is substantial. Maintaining the existing asset base, replacing aging infrastructure, and meeting the needs of a changing population all require capital spending. Table 4 provides a summary of capital expenditures for 2001/02.

In 2001/02, $2.3 billion was spent on capital projects including the building of schools, hospitals, roads and other forms of provincial infrastructure. Expenditures were down from the $2.9 billion budget amount primarily due to slower than anticipated spending on *SkyTrain* construction ($110 million), education capital projects ($68 million), health facility capital projects ($105 million), capital spending by government ministries ($90 million), BC Hydro capital projects ($55 million) and capital spending by the Insurance Corporation of British Columbia ($44 million).

TABLE 4
CAPITAL EXPENDITURES

	July 30 Update[1] 2001/02	Actual 2001/02	Variance
		($ millions)	
Taxpayer-supported			
Capital Plan[2]			
Education	428	360	(68)
Health	274	169	(105)
BC Transportation Financing Authority	331	324	(7)
British Columbia Ferry Corporation	89	57	(32)
Rapid Transit Project 2000	309	199	(110)
Other[3]	93	71	(22)
Net capital plan	1,524	1,180	(344)
Other taxpayer-supported			
Government operating (ministries)	293	203	(90)
Other[4]	65	31	(34)
Total taxpayer-supported	**1,882**	**1,414**	**(468)**
Self-supported			
British Columbia Hydro and Power Authority	600	545	(55)
British Columbia Railway Company	72	78	6
Columbia River power projects[5]	141	118	(23)
Insurance Corporation of British Columbia[6]	151	107	(44)
British Columbia Lottery Corporation	26	20	(6)
Liquor Distribution Branch	31	26	(5)
Total self-supported	**1,021**	**894**	**(127)**
Total capital expenditures	**2,903**	**2,308**	**(595)**

[1] Represents the forecast as presented in the Economic and Fiscal Update tabled July 30, 2001.
[2] Net of expenditures by hospital districts for cost-shared projects and capital spending on behalf of and recovered from, the Greater Vancouver Transportation Authority (*TransLink*).
[3] British Columbia Buildings Corporation, Ministry of Attorney General, Ministry of Public Safety and Solicitor General, Ministry of Children and Family Development and British Columbia Transit.
[4] Includes the British Columbia Housing Management Commission and Provincial Rental Housing Corporation (net of construction costs recoverable from non-profit societies).
[5] Columbia Power Corporation and Columbia Basin Trust.
[6] Includes ICBC Properties Ltd.

Alternative Capital Procurement and Financing

Alternative procurement refers to the acquisition and financing of capital assets by methods other than direct purchase and/or traditional issuance of general obligation debt of the province.

In January 2002, the government announced a three-year restructuring program to restore sound fiscal management and protect important public programs and services. As part of this initiative a new Capital Management Framework will be introduced to establish standards for the planning, assessment, approval and management of the capital procurement process and financing of public infrastructure.

This new Framework will incorporate best practices in capital procurement and management from the private and public sectors around the world and set the foundation for using alternative and innovative methods for the development, financing and operation of public projects. The integration of capital and operating budget decisions, along with the use of alternative methods of capital procurement and financing, are expected to result in more effective public spending and service delivery by reducing procurement costs, mitigation and transfer of project risks, protection of the province's credit rating and accelerated delivery of infrastructure.

The list of alternative capital procurement projects completed or under review during the year includes:

- *New Borrowing Facility for the University of British Columbia (UBC):* A limited recourse facility to finance self-supporting projects of the University (e.g., student and faculty housing, bookstore, parking facilities and commercial ancillary services). The debt service requirements will be provided from incremental revenues of such projects undertaken and other non-government sources. The first financing of $125 million was issued in November 2001. UBC has been assigned a credit rating of AA minus (equivalent) by Moody's Investors Service and by Standard & Poor's;
- *Brilliant Power Funding Corporation:* Project bond financing for Brilliant Dam based on a long-term power supply contract with West Kootenay Power. A $96.0 million bond financing was completed for the acquisition of the dam from Cominco in May 1996 and a $28.2 million financing was issued in September 2001 to fund the capital maintenance and upgrading programs related to power generating facilities at the dam;
- *Bank Financings:* Limited recourse bank financings for a new student union building at the University College of the Cariboo were completed in May 2001 and financing for a new continuing eduction facility at the Okanagan University College completed in January 2002;
- *Georgia Strait Crossing Project:* A US $159 million joint venture between BC Hydro and Williams Energy (a large U.S. firm specialized in pipeline construction/operation) for the construction of a natural gas pipeline between the State of Washington and Vancouver Island to supply power generators in Campbell River and Port Alberni. Project management filed for regulatory and environmental approvals in April 2001 and expects to complete pipeline construction in November 2003;
- *Pacificat Disposal Project:* In 2001/02, the British Columbia Ferry Corporation and its advisor continue to actively market the vessels in accordance with the terms and conditions approved by Treasury Board in August 2000;
- *Coquihalla Highway Project:* A joint undertaking by the Ministries of Transportation and Finance to explore the potential for a sale of a long-term right to operate the Coquihalla Highway.

Debt Management Operations

Management of the province's debt portfolio is overseen by a risk committee to ensure that liability management is based on sound financial principles and is conducted in a prudent manner, balancing costs and risks within acceptable control standards. The Risk Committee is comprised of the Deputy Minister of Finance, the Assistant Deputy Minister, Provincial Treasury, the Deputy Minister of Provincial Revenue and two external members from the financial and academic community. The Debt Management Branch of Provincial Treasury manages the province's debt.

The committee sets risk policies and parameters for compliance by the Debt Management Branch, including: portfolio management authority matrix, term structure of debt, floating rate exposure, foreign currency exposure, liquidity risk, authorized derivative transactions and counterparty credit exposure. (See Appendix G.)

Debt Management Performance Measurement

The primary objective of debt management is to manage the cost of debt and associated risk in a manner that is consistent with the long-term financial objectives of the province. This entails managing the debt portfolio to minimize the total cost of existing and new debt, subject to an acceptable level of risk.

Portfolios vary in terms of expected costs and risk depending on their makeup in terms of exposure to interest rates and to exchange rates. In general, as the expected costs of a portfolio is reduced, the variability of cost, and risk, increases.

In order to carry out their task, debt managers require guidance as to portfolio objectives and the bounds of acceptable results. In other words, they require a target or benchmark debt management portfolio. The benchmark portfolio provides operational guidelines for debt management, as well as a reference point for monitoring risk and performance measurement. The benchmark is selected by quantifying the cost and risk of many portfolios, and choosing one that minimizes cost subject to an acceptable level of risk.

In measuring the cost of debt over a given period of time, it is important to recognize the period-to-period change in the market value of existing and new debt. The cost measure, which is referred to as the total cost of debt, includes interest paid plus changes in market value. This is analogous to the total return of investment portfolios (earnings plus changes in market value).

In 2001/02, the actual performance of the provincial government's direct debt portfolio was 5 basis points better than the benchmark. The portfolio outperformed the benchmark, as the province borrowed more floating rate debt to take advantage of declining interest rates.

Section III

Appendices

(unaudited)

Appendix A: Glossary of Terms

Arbitrage — refers to trading to generate a risk-free profit without investment. For purposes of the province's Matched Book Program, arbitrage refers to borrowing funds at one rate and investing the same funds at a higher rate with minimal risk.

Benchmark portfolio — represents the debt manager's neutral liability position and represents the minimum cost subject to an acceptable level of risk. The manager may make active decisions to deviate from the neutral position with the intention of adding value to the actual portfolio. The performance of the manager is judged by comparing the total cost of the actual portfolio with the total cost of the benchmark portfolio.

Call — an option which gives the holder the right but not the obligation to purchase a financial instrument at a set price at some point in the future.

Commercial Crown corporations — corporations which generate revenue from the sale of services at commercial rates and pay their own operating expenses, including debt service charges.

Debt per capita — the ratio of debt to total population.

Debt to GDP — the ratio of debt outstanding at year end to provincial nominal gross domestic product (GDP).

Debt to revenue — the ratio of debt outstanding at fiscal year end compared to revenue from all sources during the year.

Defeasance — an accounting term meaning extinguishment of debt by setting aside sufficient assets/ investments in an irrevocable trust to satisfy future interest payments and principal repayment.

Derivative product — a swap or other financial instrument that is used to hedge interest rate risk, foreign currency exposure or commodity price exposure.

Discount — the difference between the par value of an issue and its actual price. Discounts, which occur when the price is below par, are amortized over the life of a bond/note.

Fiscal agency loans — debt borrowed directly by the government with proceeds relent to Crown corporations and agencies.

Guaranteed debt — debt incurred by Crown corporations and others with a provincial government guarantee as to the payment of principal and interest.

Hedging — using derivative products to reduce exposure to interest rate, currency and commodity price fluctuations.

Infrastructure — includes roads, water and sewer services, ferry and transit systems, schools, hospitals, universities and other capital works.

Interest bite — how much of each dollar of provincial revenue is used to pay for taxpayer-supported debt service costs.

Market value — The market value of a portfolio is the sum of the market values of the individual securities comprising the portfolio. The market value of a security is the amount one would reasonably expect to pay for it on the open market. In particular, the market value of a debt instrument is the present value of its future cash flows. The market value of debt is negative because the cash flows are negative (interest and maturity payments made by the province to the investor). The market value of a derivative instrument is also the present value of its future cash flows. However, a derivative may have both negative and positive cash flows, and hence its market value may be either negative or positive.

Matched Book Program — a portfolio of offsetting assets and liabilities with equal maturities. The program is designed to generate low-risk arbitrage profit for the government. Also called the Provincial Treasury Revenue Program.

MTN — medium term note — is often placed directly with end investors, much like a private placement.

Non-guaranteed debt — debt which is incurred by a government body but which is not guaranteed by the province.

Premium — the difference between the par value of an issue and its actual price. Premiums, which occur when the price is above par, are amortized over the life of a bond/note.

Provincial government direct debt — funds borrowed for government operations and capital spending, refinancing of maturing debt and other financing transactions.

Put — an option which gives the holder the right but not the obligation to sell a financial instrument at a set price at some point in the future.

Self-supported debt — includes debt of entities which generate sufficient revenues from external sources to cover their operating expenses including debt interest costs and redemptions. It also includes debt of the warehouse borrowing program.

Sinking fund — a trust account established by policy to provide for the orderly repayment of debt obligations. Sinking funds accumulate through annual payments and retain all investment earnings. Sinking funds are deducted from gross debt to yield net debt.

Swap — a derivative product used to hedge interest rate risk, and/or currency exposure, as well as commodity price risks. Swaps involve an exchange of cash flows.

Taxpayer-supported debt — includes direct debt incurred for government operations and debt of Crown corporations and agencies, which undertake capital projects that provide essential services to the province, but require an operating or debt service subsidy from the provincial government.

Warehouse borrowing program — borrows money in advance of actual requirements. Funds are invested until required. This debt is eventually allocated to either the provincial government or its Crown corporations and agencies.

Appendix B: Provincial Borrowing Programs

Australian Dollar Domestic Medium Term Note Program (AMTN)

AMTN provides for borrowing in the Australian dollar currency. The program permits syndicated bond issues and notes tailored to specific investor demand. The AMTN is currently limited to a maximum of A $3.0 billion.

BC Savings Bonds (BCSB)

BCSBs were sold to individual British Columbia investors, however effective July 2001, the BC Savings Bond program was eliminated, as more cost-effective, low-risk borrowing options are available to the province.

Canada Pension Plan (CPP)

From time to time, the federal government has offered to lend CPP funds at attractive rates in return for provincially-issued securities. Between 1992 and March 1999, the federal government did not offer funding opportunities for new borrowing or for refinancing under this program. However, as a result of federal reform of CPP investment strategy, the provinces are now offered opportunities to borrow CPP funds.

Canadian Promissory Notes and U.S. Commercial Paper

These forms of short-term financing are based on notes that pay to the bearer an agreed amount at the end of a specified term that does not exceed one year. Under these programs, debt managers meet short-term borrowing requirements by contacting designated members of the financial community to solicit bids for required funds and choosing the one with the lowest total costs.

Domestic Medium Term Notes (MTNs)

Domestic Medium Term Notes (MTNs) are used as a way of raising funds for terms between one and five years. More recently, the use of this type of borrowing has grown and MTNs now include terms between 10 and 40 years. This type of financing is arranged through investment dealers who work with staff to design securities in response to specific investor demands. MTNs typically range in size from $25 million to $250 million.

Euro Debt Issuance Program (EDIP)

EDIP provides for borrowing in 15 approved currencies. The program permits syndicated bond issues and notes tailored to specific investor demands called Euro Medium Term Notes (EMTNs). EDIP is currently limited to a maximum of US $5.0 billion, or its equivalent, in outstanding debt.

Private Placements

The government will sometimes undertake private placements with investors to supplement its debt financing program. Examples of such financings are leases of equipment on behalf of government and Crown agencies (for example, ferry and transit vehicles).

Provincial Trusteed Funds

Pension funds and sinking funds are managed by the British Columbia Investment Management Corporation as trustee. Occasionally the Debt Management Branch may arrange to borrow from provincial trusteed funds. From time to time, these funds are prepared to lend money to the province subject to prevailing market terms and in accordance with the fiduciary responsibilities of the trustee.

Syndicated Public Bond Issues

When financing large sums is needed, the government issues public bonds. The government agrees to sell a specified amount of marketable bonds to a syndicate of underwriters, which then markets the bonds to investors. Syndicate members are selected according to a number of criteria such as market distribution capabilities and track record, previous service, reputation and interest rates offered.

A separate syndicate is established for each market in which securities are issued from time to time including the Canadian, Euro-Canadian, Global Canadian and U.S. dollars, U.S. (Yankee), Euro-U.S., Euro-yen, Euro-sterling, Swiss franc and Australian dollar markets.

Appendix C: Schedule of Debt Maturities

PROVINCE OF BRITISH COLUMBIA DEBT MATURITIES
As at March 31, 2002

Fiscal Year	Gross Debt*	Sinking Funds*	Net Debt*
		($ millions)	
2002/03	2,697.5	619.2	2,078.3
2003/04	2,391.7	691.4	1,700.3
2004/05	2,627.7	449.3	2,178.4
2005/06	2,502.6	333.5	2,169.1
2006/07	3,035.4	347.9	2,687.5
2007/08	1,190.3	201.3	989.0
2008/09	3,164.2	222.5	2,941.7
2009/10	1,561.8	249.0	1,312.8
2010/11	2,766.1	448.9	2,317.2
2011/12	2,279.9	761.5	1,518.4
2012/13	216.7	82.4	134.3
2013/14	1,817.2	557.3	1,259.9
2014/15	594.8	165.5	429.3
2015/16	0.0	0.0	0.0
2016/17	45.0	11.5	33.5
2017/18	0.0	0.0	0.0
2018/19	12.9	0.4	12.5
2019/20	294.6	14.2	280.4
2020/21	769.0	431.3	337.7
2021/22	629.9	120.8	509.1
2022/23	775.0	306.4	468.6
2023/24	930.4	192.7	737.7
2024/25	920.0	193.2	726.8
2025/26	796.8	478.3	318.5
2026/27	210.0	61.0	149.0
2027/28	550.0	260.5	289.5
2028/29	200.0	0.0	200.0
2029/30	2,535.0	267.9	2,267.1
2030/31	0.0	0.0	0.0
2031/32	1,400.0	594.9	805.1
2032/36	0.0	0.0	0.0
2036/37	478.1	225.6	252.5
2037/38	0.0	0.0	0.0
2038/39	215.0	103.2	111.8
2039/40	200.0	120.2	79.8

* Excludes short-term, non-guaranteed debt, perpetual bonds and investment cash for relending, certified debt and related sinking funds. It is assumed that sinking fund installments will continue to be made according to current policy. Sinking fund balances are projected to grow at 5 per cent. Any foreign denominated debt has been re-stated at the foreign exchange rate on March 31, 2002.

Appendix D: Historical Debt Table

HISTORICAL PROVINCIAL DEBT SUMMARY FOR FISCAL YEARS ENDED MARCH 31[1]

	Taxpayer-Supported Debt									
Year	Provincial Government Direct Operating	Education Facilities Capital Financing	Health Facilities Capital Financing	Highways, Ferries and Public Transit	Other[2]	Total Taxpayer-Supported Debt	Self-Supported Debt[3]	Total Provincial Debt	Total Provincial Debt as a Per cent of GDP	Taxpayer-Supported Debt as a Per cent of GDP
1970	—	338	42	142	100	622	1,661	2,283	25.7	7.0
1971	—	362	64	172	99	697	1,808	2,505	26.9	7.5
1972	—	380	85	233	95	793	1,948	2,741	26.5	7.7
1973	—	408	105	288	87	888	2,062	2,950	24.8	7.5
1974	—	425	117	340	145	1,027	2,228	3,255	22.1	7.0
1975	—	485	133	386	149	1,153	2,650	3,803	21.8	6.6
1976	—	557	178	544	145	1,424	3,144	4,568	23.4	7.3
1977	261	658	236	649	188	1,992	3,787	5,779	25.1	8.7
1978	261	710	291	656	215	2,133	4,464	6,597	25.7	8.3
1979	261	778	334	653	91	2,117	4,838	6,955	24.2	7.4
1980	235	836	401	730	195	2,397	5,704	8,101	24.3	7.2
1981	209	919	461	729	270	2,588	5,956	8,544	22.3	6.8
1982[4]	183	1,067	561	844	291	2,946	7,227	10,173	22.7	6.6
1983	883	1,204	660	1,024	894	4,665	7,692	12,357	27.5	10.4
1984	1,596	1,321	712	1,392	1,174	6,195	8,440	14,635	30.8	13.1
1985	2,476	1,308	717	691[5]	1,276	6,468	9,082[5]	15,550	31.2	13.0
1986	3,197	1,276	680	1,034	1,376	7,563	8,990	16,553	30.9	14.1
1987	4,802	1,268	681	1,097	812	8,660	8,485	17,145	30.3	15.3
1988	5,017	1,278	716	1,192	660	8,863	8,149	17,012	27.2	14.2
1989	4,919	1,322	763	1,213	842	9,059	7,396	16,455	23.7	13.1
1990	4,209	1,367	837	1,244	1,262	8,919	7,340	16,259	21.5	11.8
1991	4,726	1,565	959	1,287	1,281	9,818	7,444	17,262	21.8	12.4
1992	6,611	1,939	1,040	1,527	1,431	12,548	7,493	20,041	24.4	15.3
1993	8,969	2,426	1,141	1,719	1,641	15,896	7,526	23,422	26.8	18.2
1994	10,257[6]	3,054	1,181	1,862[6]	1,627	17,981	7,946	25,927	27.5	19.1
1995	10,181	3,631	1,318	2,158	1,749	19,037	8,013	27,050	26.9	18.9
1996	10,237	3,990	1,399	2,598	1,695[7]	19,919	8,847	28,766	27.2	18.8
1997	11,030	4,230	1,431	3,144	1,440[7]	21,275	8,096	29,371	26.9	19.5
1998	11,488	4,352	1,417	3,463	1,431[7]	22,151	8,204	30,355	26.5	19.3
1999	12,217[8]	4,597	1,282	3,641	1,467[7,8]	23,204	9,057	32,261	27.9	20.1
2000	13,859[8,9]	4,978	1,451	3,487[9]	1,406[7,8]	25,181	9,297	34,478	28.6	20.9
2001	12,113[7,8]	5,263	1,780	4,191	1,651[7,8]	24,998	8,882[10]	33,880	26.6	19.6
2002	13,789[7,8,10]	5,517	1,920	4,639	1,310[8,10]	27,175	8,741	35,916	27.5	20.8

[1] Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported in the government's accounts as an accounts payable. Figures for earlier years have been restated to conform with the presentation used for fiscal 2001/02.

[2] Includes the British Columbia Buildings Corporation, British Columbia Housing Management Commission, Provincial Rental Housing Corporation and other taxpayer-supported Crown corporations and agencies. Also includes loan guarantees to agricultural producers, guarantees issued under economic development assistance programs and loan guarantee provisions.

[3] Includes commercial Crown corporations and agencies and, beginning in 1995/96, funds held under the province's warehouse borrowing program.

[4] Statistics Canada revised provincial nominal GDP back to calendar year 1981 (fiscal year 1981/82). Debt-to-GDP ratios prior to 1981/82 are based on previously published GDP estimates.

[5] Prior to 1984/85 debt outstanding for the British Columbia Railway Company was classified as taxpayer-supported debt. Beginning in 1984/85 the company was considered to be a commercial operation.

[6] Prior to the establishment of the BC Transportation Financing Authority in the spring of 1993, capital financing for highways was provided through provincial government direct operating debt.

[7] During the period 1995/96 to 1999/00, only an estimate for loan defaults had been included as government guarantees for student loans. Amounts have been restated to add the following guaranteed loans: 2000/01 – $129 million, 1999/00 – $224 million, 1998/99 – $226 million, 1997/98 – $187 million, 1996/97 – $128 million and 1995/96 – $53 million.

[8] In fiscal 2001/02, there was a change in accounting treatment with respect to vehicle leases previously recorded as operating leases. These leases are now recorded as capital lease obligations and as a result government operating debt has been restated as follows: 2001/02 — $50 million, 2000/01 — $44 million, 1999/00 — $26 million and 1998/99 — $27 million. In addition, other taxpayer debt has been restated by $1 million for each fiscal year from 1998/99 through 2001/02.

[9] Effective March 31, 2000, the provincial government assumed responsibility for fiscal agency loans of the British Columbia Ferry Corporation ($1 080 million) and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre) ($70 million).

[10] Based on the outlook for world pulp prices and their potential impact on 552513 British Columbia Ltd. (Skeena Cellulose Inc.), the company's debt was reclassified as being taxpayer-supported in 2000/01. In fiscal 2001/02, the company's debt was assumed by the provincial government ($260 million) and by the minority shareholder ($94 million), as Skeena Cellulose Inc. was sold to the private sector.

Appendix E: Provincial Debt Summary

As at March 31, 2002

	Gross Debt[1] (Maturity Value)	Unamortized Discount	Sinking Funds	Net Debt[1]	
		($ millions)			(Per cent)
Taxpayer-supported debt					
Provincial government direct operating	14,832	70	973	13,789	39
Education[2]					
Schools	5,058	26	940	4,092	
Post-secondary institutions	1,919	11	483	1,425	
	6,977	37	1,423	5,517	15
Health facilities[2]	2,451	6	525	1,920	5
Highways, ferries and public transit					
BC Transportation Financing Authority	2,611	(30)	127	2,514	
British Columbia Ferry Corporation[2]	19	—	—	19	
British Columbia Transit	92	—	13	79	
Public transit[2]	1,221	11	274	936	
SkyTrain extension[2]	1,062	18	—	1,044	
Rapid Transit Project 2000 Ltd.	47	—	—	47	
	5,052	(1)	414	4,639	13
Other					
British Columbia Buildings Corporation	741	6	139	596	
Social housing[3]	300	1	—	299	
Homeowner Protection Office	113	—	—	113	
Universities and colleges	166	2	50	114	
Local governments	10	—	2	8	
Other[4]	180	—	—	180	
	1,510	9	191	1,310	4
Total taxpayer-supported debt	**30,822**	**121**	**3,526**	**27,175**	**76**
Self-supported debt					
Commercial Crown corporations and agencies:					
British Columbia Hydro and Power Authority	7,972	5	1,104	6,863	
British Columbia Railway Company	647	9	24	614	
Columbia Basin Power Corporation[5]	120	—	—	120	
Columbia Power Corporation	64	—	—	64	
British Columbia Liquor Distribution Branch	13	—	—	13	
	8,816	**14**	**1,128**	**7,674**	21
Warehouse Borrowing Program	**1,058**	**(9)**	**—**	**1,067**	3
Total self-supporting debt	**9,874**	**5**	**1,128**	**8,741**	**24**
Total Provincial Debt	**40,696**	**126**	**4,654**	**35,916**	**100**

[1] Includes hedged foreign currency denominated debt converted at hedged exchange rates prevailing at the time of the hedged transaction and unhedged foreign currency denominated debt converted at exchange rates at March 31, 2002.

[2] Represents government direct debt incurred for capital financing of education and health facilities and public transit infrastructure.

[3] Includes debt of the British Columbia Housing Management Commission and Provincial Rental Housing Corporation.

[4] Includes debt of the British Columbia Assessment Authority, Pacific Racing Association (fiscal agency loans), student assistance loans, loans guaranteed to agricultural producers, guarantees issued under economic development assistance programs and the former British Columbia home mortgage assistance and second mortgage programs, and non-guaranteed debt of the British Columbia Securities Commission, Legal Services Society, Pacific National Exhibition and Okanagan Valley Tree Fruit Authority.

[5] Columbia Basin Power Company is a joint venture of Columbia Power Corporation and Columbia Basin Trust.

Appendix F: Summary of Outstanding Debt Issues

GROSS DIRECT AND FISCAL AGENCY DEBT OF THE PROVINCE OF BRITISH COLUMBIA
As at March 31, 2002

Series	Date of Maturity	Year of Issue	Interest Rate	Amount Outstanding March 31, 2002	References (see p. 36)
			(per cent)	(millions of Cdn. dollars)	
Long-Term and Medium-Term Debt Issued by Province of British Columbia:					
BCEC-15	June 18, 2002	1999	5.25	200	(1) (7)
BCSBR-F	October 15, 2002	1997	2.90	40	(1) (5) (10)
BCSBNR-H	October 15, 2002	1999	5.70	168	(1)
BCCMTN-89	December 6, 2002	2000	Floating	200	(4)
BCCMTN-88	January 17, 2003	2000	Floating	90	(4)
BCCG-1	June 16, 2003	1993	7.75	1,232	(2) (7) (20)
BCSBNR-I	October 15, 2003	2000	5.95	68	(1)
BCCMTN-22	February 3, 2004	1994	6.50	30	(2) (20)
BCCD-S	June 21, 2004	1994	9.00	670	(2) (20)
BCCMTN-28	June 21, 2004	1994	9.60	275	(2)
BCCMTN-47	June 21, 2004	1995	9.25	50	(2)
BCCMTN-67	December 10, 2004	1997	5.25	48	(2) (20)
BCCMTN-45	June 9, 2005	1995	9.50	50	(2)
BCCMTN-86	August 5, 2005	1999	6.20	50	(2) (18)
BCCD-U	August 23, 2005	1995	8.00	650	(2) (20)
BCCMTN-55	August 23, 2005	1995/00	8.00	100	(2)
BCCMTN-87	August 23, 2005	1999	6.15	75	(2)
BCEC-12	September 21, 2005	1993	7.25	382	(1) (7) (20)
BCEC-16	September 21, 2005	2001	5.25	200	(1) (7)
BCSBR-G	October 15, 2005	1998	2.90	201	(1) (5) (10)
BCEC-17	December 1, 2005	2001	4.25	500	(1) (7)
BCCMTN-49	February 24, 2006	1995	9.00	50	(2)
BCSBR-H	October 15, 2006	1999	2.90	43	(1) (5) (10)
BCCG-2	December 1, 2006	1999/01	5.25	1,250	(1) (7)
BCSBR-I	October 15, 2007	2000	2.90	72	(1) (5) (10)
PRW	December 10, 2007	1987	10.14	1	(2) (20)
BCCMTN-91	January 9, 2008	2001	5.25	110	(2)
PRP-1	March 31, 2008	1996	8.18	28	(2) (11)
BCCD-V	June 9, 2008	1997	6.00	1,697	(2) (20)
BCJC-2	January 15, 2009	1984	8.75	25	(1) (7)
BCCD-Y	December 1, 2009	1999/01	6.25	750	(2)
BCCD-AA	August 23, 2010	2000	6.375	1,400	(2)
BCCD-D	February 21, 2011	1991	10.75	237	(2) (20)
BCCD-K	January 9, 2012	1992	9.50	1,079	(2) (20)
BCCMTN-85	January 9, 2012	1999/00	9.50	400	(2)
BCCD-AB	January 9, 2012	2001	5.75	500	(2)
BCCD-N	August 23, 2013	1993	8.50	1,063	(2) (20)
BCCMTN-44	August 23, 2013	1995	9.60	57	(2) (20)
BCCMTN-50	August 23, 2013	1995	9.25	65	(2) (20)
BCCMTN-53	August 23, 2013	1995	8.50	348	(2) (20)
BCCMTN-80	August 23, 2013	1999	5.75	100	(2)
BCCMTN-90	October 9, 2013	2001	Floating	30	(2) (16)
BCCD-Q	June 9, 2014	1994	7.50	394	(2) (20)
BCCMTN-33	June 9, 2014	1994	9.625	25	(2)
BCCMTN-34	June 9, 2014	1994	9.625	36	(2) (20)
BCCMTN-38	June 9, 2014	1994	9.60	89	(2) (20)
BCCMTN-27	June 20, 2014	1994	8.50	50	(2)
BCCMTN-25	October 3, 2016	1994	9.125	45	(2)
BCCMTN-24	June 17, 2019	1994	9.00	50	(2)

GROSS DIRECT AND FISCAL AGENCY DEBT OF THE PROVINCE OF BRITISH COLUMBIA
Continued
As at March 31, 2002

Series	Date of Maturity	Year of Issue	Interest Rate	Amount Outstanding March 31, 2002	References (see p. 36)
			(per cent)	(millions of Cdn. dollars)	
BCCD-C	September 5, 2020	1990	10.60	600	(2)
BCCMTN-46	September 5, 2020	1995	10.60	20	(2)
BCCD-G	May 15, 2021	1996	9.95	296	(2)
BCCMTN-76	February 23, 2022	1999	6.00	25	(2)
BCCD-L	June 9, 2022	1992	9.50	450	(2)
BCCD-M	August 19, 2022	1992	8.75	300	(2)
BCCMTN-77	February 23, 2023	1999	6.00	25	(2)
BCCD-P	September 8, 2023	1993	8.00	400	(2)
BCCMTN-60	September 8, 2023	1995	8.00	35	(2)
BCCMTN-79	September 8, 2023	1999	6.40	50	(2)
BCEC-13	November 30, 2023	1993	7.875	345	(1) (7) (20)
BCCMTN-78	February 23, 2024	1999	6.00	100	(1)
BCCD-T	August 23, 2024	1994	9.00	400	(2)
BCCMTN-40	August 23, 2024	1995	9.00	35	(2)
BCCMTN-52	August 23, 2024	1995	9.00	200	(2)
BCCMTN-56	August 23, 2024	1995	8.50	30	(2)
BCCMTN-62	August 23, 2024	1996	7.875	200	(2)
BCCMTN-82	August 23, 2024	1999	7.00	55	(2)
BCCMTN-63	June 9, 2024	1996	8.00	110	(2)
BCCMTN-64	December 4, 2026	1996	5.40	40	(2) (14)
BCCMTN-74	December 4, 2026	1999	5.40	60	(2) (12)
BCCMTN-65	June 9, 2027	1997	7.50	50	(2)
BCCD-W	November 19, 2027	1997	6.15	500	(2)
BCCMTN-70	August 17, 2028	1998	5.45	200	(2) (8)
BCCD-X	June 18, 2029	1998/99	5.70	2,285	(2)
BCCMTN-83	June 18, 2029	1999	5.86	250	(2) (19)
BCCD-Z	June 18, 2031	2000/01	6.35	1,400	(2)
BCCMTN-69	January 9, 2039	1998	5.75	150	(2)
BCCMTN-73	January 9, 2039	1998	6.00	65	(2)
BCCMTN-84	August 23, 2039	1999	6.30	200	(2)
Canada Pension Plan issues		1982–2002	5.61–16.53	3,722	(2) (6) (20)
Redemption premium re MTN-74				15	
Other				53	(13)
Short-term Promissory Notes				1,184	
Total Issues in Canadian Dollars[1]				29,123	

[1] At March 31, 2002, sufficient securities had been set aside in an irrevocable trust to satisfy the scheduled interest and principal repayment requirements of Cdn $731 million (2001: $883 million). For a breakdown of the defeased debt, see P. 36, reference 20.

GROSS DIRECT AND FISCAL AGENCY DEBT OF THE PROVINCE OF BRITISH COLUMBIA
Continued
As at March 31, 2002

Series	Date of Maturity	Year of Issue	Interest Rate	Amount Outstanding March 31, 2002	References (see p. 36)
			(per cent)	(millions of Cdn. dollars)	
BCEUS-1	June 18, 2002	1992	7.750	500	(1) (7)
BCUSD-1	January 15, 2003	1993	7.00	500	(2) (7)
BCEUS-2	February 5, 2003	1993	5.50–8.00	73	(1) (7) (20)
BCCMTN-75	January 15, 2004	1999	Floating	200	(4) (9)
BCEUS-5	February 8, 2005	2000/01	7.25	350	(1) (7)
BCUSG-2	October 3, 2006	2001	4.625	750	(2) (7)
BCEUS-4	June 11, 2007	1997	7.125	460	(1) (7) (20)
BCUSD-2	January 15, 2026	1996	6.50	500	(2) (7)
BCUSG-1	October 29, 2008	1998/01	5.375	750	(2) (7)
BCEMTN-22	October 28, 2013	1998	Floating	100	(4)
BCUSD-3	September 1, 2036	1996	7.25	300	(2) (7)
Short-term Promissory Notes				756	
Total Issues in U.S. Dollars[1]				US$ 5,239	
Exchange Premium (Including Hedge)				2,826	
U.S. Issues at Cdn. Dollar Equivalent				Cdn$ 8,065	
BCEMTN-1	May 31, 2004	1994	4.1048	5,000	(1) (7)
BCEMTN-2	June 15, 2004	1994	3.923	5,000	(2) (7)
BCEMTN-16	June 19, 2007	1997	3.50	5,000	(1) (17)
BCEMTN-23	March 1, 2010	2000	1.855	7,000	(1)
BCEMTN-21	September 16, 2010	1998	2.07	10,000	(1) (17)
Total Issues In Japanese Yen				¥ 32,000	
Exchange Premium (Including Hedge)				(31,602)	
Japanese Issues at Cdn. Dollar Equivalent[2]				Cdn$ 398	
BCSFR-3	June 25, 2004	1998	3.00	600	(1) (7)
Exchange Premium (Including Hedge)				(15)	
Swiss Franc Issue at Cdn. Dollar Equivalent[2]				Cdn$ 585	
BCES-1	December 31, 2003	1996	7.50	GB 191	(1) (7) (20)
Exchange Premium (Including Hedge)				218	
Sterling Issue at Cdn. Dollar Equivalent[2]				Cdn$ 409	
BCEFF-1	January 30, 2007	1996	6.25	214	(1) (7) (20)
BCEFF-2	July 15, 2009	1997	5.875	264	(1) (7) (20)
BCEDM-1	July 21, 2010	1998	5.125	360	(1) (7) (20)
Total Issues in Euro[3]				Euro 838	
Exchange Premium (Including Hedge)				516	
Euro Issues at Cdn. Dollar Equivalent[2]				Cdn$ 1,354	
Gross Direct Debt issued by the Province (In Canadian Dollar Equivalents)				Cdn$ 39,934	

[1] Payable and expressed in U.S. dollars. Debt payable in US $2,078 million has been hedged to Cdn $3,091 million. Debt payable in U.S. $500 million has been hedged to JP¥61,028.8 million. This balance was translated at the exchange rate prevailing at year-end.
[2] Foreign currency debt other than U.S. has been fully hedged to Canadian dollars.
[3] On January 1, 2002, French Franc was converted into Euro at 1 Euro = 6.55957 FRF and Deutschemark was converted into Euro at 1 Euro = 1.95583 DEM

NET DIRECT AND FISCAL AGENCY DEBT OF THE PROVINCE OF BRITISH COLUMBIA
As at March 31, 2002

	Amount Outstanding March 31, 2002	
	($ millions)	
Gross Direct Debt issued by the Province (in Canadian Dollar Equivalents)[1]		39,934
Less — Fiscal Agency Borrowings on behalf of:		
Warehouse Borrowing Program	1,058	
BC Transportation Financing Authority	2,611	
British Columbia Buildings Corporation	690	
British Columbia Housing Management Commission	158	
British Columbia Hydro and Power Authority	7,823	
British Columbia Institute of Technology	25	
British Columbia Railway Company	632	
British Columbia Transit	89	
College of New Caledonia	3	
College of the Rockies	3	
Columbia Power Corporation	64	
Douglas College	1	
Home Owner Protection Office	25	
Improvement Districts	8	
Malaspina University College	2	
Okanagan University College	11	
Pacific Racing Association	5	
Rapid Transit Project 2000 Ltd.	47	
Selkirk College	2	
Simon Fraser University	26	
University College of the Cariboo	5	
University of British Columbia	62	
University of Northern British Columbia	16	
University of Victoria	10	
	12,318	13,376
Gross Direct Debt		26,558
Less — Unamortized Discount	142	
— Government Sinking Funds	3,195	
— Bonds held in the Consolidated Revenue Fund	15	3,352
Total Net Direct Debt		23,206
Gross Fiscal Agency Reloaned Debt		13,376
Less — Gross Fiscal Agency Debt		12,318
Gross Fiscal Agency Debt for Warehouse Borrowing Program Purposes		1,058
Less — Unamortized Discount/(Premium)	(9)	(9)
Total Net Fiscal Agency Debt for Warehouse Borrowing Program Purposes		1,067
Gross Fiscal Agency Debt		12,318
Less — Unamortized Discount	(7)	
— Government Sinking Funds	1,351	1,344
Total Net Fiscal Agency Debt		10,974
Total Net Direct and Fiscal Agency Debt, Warehouse Borrowing Program Debt		35,247
Less — Warehouse Borrowing Program Investments Available to Paydown Warehouse Borrowing Program Debt		1,067
Total Net Direct and Fiscal Agency Debt		34,180

[1] At March 31, 2002, sufficient securities had been set aside in an irrevocable trust to satisfy the scheduled interest and principal repayment requirements of Cdn $731 million (2001: $883 million). For breakdown of the defeased debt see page 36, reference (20).

NET GUARANTEED DEBT
As at March 31, 2002

Issuer and Series	Year of Maturity	Year of Issue	Interest Rate	Amount Outstanding[1] March 31, 2002
			(per cent)	(millions of Cdn. dollars)
British Columbia Hydro and Power Authority[2]	2011	1981	13.50	93
British Columbia Railway Company Ltd. Capital Leases	2003	1983	11.89	4
British Columbia Ferry Corporation Capital Leases[3]	2005	1985	8.69	18
British Columbia Buildings Corporation[4]	2005	1980	6.21	2
Mortgages				1
				3
Municipalities, Improvement Districts and Other Local Government Entities	2004–2007	1980–1986	10.12–15.75	2
Sub-total Net Guaranteed Debt				120
Plus — Other Guaranteed Debt[5]				165
				285
Less — Provisions for Probable Payout				13
Total Net Guaranteed Debt				272

[1] Total net of sinking funds.
[2] Includes the perpetual callable bonds (issued by the former British Columbia Electric Company Limited).
[3] At March 31, 2002, British Columbia Ferry Corporation had sufficient securities in an irrevocable trust to satisfy the scheduled interest and principal repayment requirements of Cdn $43 million (2001: $46 million).
[4] At March 31, 2002, British Columbia Buildings Corporation had sufficient securities in an irrevocable trust to satisfy the scheduled interest and principal repayment requirements of Cdn $68 million (2001: $88 million).
[5] Includes outstanding loan guarantees of Pacific National Exhibition, student assistance loans, loans to agricultural producers and guarantees issued under economic development assistance programs.

NON-GUARANTEED DEBT
As at March 31, 2002

	(millions of Cdn. dollars)
Taxpayer-Supported Debt	
Homeowner Protection Office	88
Provincial Rental Housing	141
Pacific National Exhibition	6
British Columbia Securities Commission	2
Other[1]	3
Total Taxpayer-Supported Non-Guaranteed Debt	240
Self-Supported Debt	
Commercial Crown Corporations and Agencies	
British Columbia Railway Company	11
Columbia Basin Power Company[2]	120
British Columbia Liquor Distribution	13
Total Self-Supported Non-Guaranteed Debt	144
Total Non-Guaranteed Debt	384

[1] Includes debt of the British Columbia Transit, Land and Water British Columbia Inc., Oil & Gas Commission, Okanagan Valley Tree Fruit Authority and the Legal Services Society.
[2] Columbia Basin Power Company is a joint venture of Columbia Power Corporation (50 per cent) and Columbia Basin Trust (50 per cent). This joint venture issued Brilliant project bonds secured by the Brilliant Dam assets and a sales agreement with West Kootenay Power Ltd.

SUMMARY OF DEBT
Amount Outstanding as at March 31, 2002

	(millions of Cdn. dollars)
Total Net Direct Debt	23,206[1]
Total Net Fiscal Agency Debt	10,974[1]
Total Net Fiscal Agency Debt for Warehouse Program Purposes	1,067[1]
Total Net Guaranteed Debt	272[2]
Total Non-guaranteed Debt	384[3]
Add back Provision for Probable payout	13[2]
Total Net Debt	35,916

[1] Refer to Table on page 33 for details.
[2] Refer to Table on page 34 for details.
[3] Refer to Non-Guaranteed Debt Table above for details.

NOTES TO STATEMENTS OF DEBT

(1) Interest payable annually.
(2) Interest payable semi-annually.
(3) Interest payable monthly.
(4) Interest payable quarterly.
(5) Interest rate reset semi-annually.
(6) Pursuant to provisions for investment of Canada Pension Plan Funds, this issue is redeemable as a whole or in part on six months notice at the option of the Minister of Finance for Canada, or on 30 days notice at the option of the Minister of Finance for British Columbia, subject to certain restrictions (CPP issues).
(7) Callable by the issuer if taxation laws requiring additional payments are imposed or levied.
(8) Puttable at the option of the holder on August 17, 2005 on ten business days' notice (BCCMTN-70).
(9) Callable by the issuer and puttable by the holder on any quarterly interest payment date on 30 days' notice (BCCMTN-75).
(10) Redeemable on October 15 or April 15 prior to maturity at par upon presentation of the bond.
(11) Redeemable at option of issuer January 1, 2007 on 90 days notice (PRP-1).
(12) Coupon will be 5.4% to December 4, 2002 and 7% thereafter to maturity (BCCMTN-74).
(13) Including the Province's direct capital leases and the assumption by the Province of debt obligations of David Thompson University Centre.
(14) Puttable at the option of the holder December 4, 2002 (BCCMTN-64).
(15) Payable in US Currency at maturity.
(16) Callable at par by the Province on October 9, 2003 and every semi-annual coupon date thereafter, on 10 days' notice. If not called, coupon steps up. (BCCMTN-90)
(17) Coupon is payable in US dollars.
(18) Callable at par August 5, 2003 only, with not more than 14 or less than 7 calendar days notice (BCCMTN-86).
(19) Puttable by the investor June 19, 2006 at a price of $98.91 plus one day of accrued interest (BCCMTN-83).
(20) A portion of this issue is defeased. (see following table.)

DEFEASED DIRECT AND FISCAL AGENCY DEBT OF THE PROVINCE OF BRITISH COLUMBIA

Series	Date of Maturity	Year of Issue	Interest Rate	Amount Outstanding March 31, 2002	References
			(per cent)	(millions of dollars)	
Canadian Dollar Issues					
BCCG-1	June 16, 2003	1993	7.75	18	(2) (7) (20)
BCCMTN-20	December 22, 2003	1993	7.00	20	(2)
BCCMTN-22	February 3, 2004	1994	6.50	30	(2) (20)
BCCD-S	June 21, 2004	1994	9.00	30	(2) (20)
BCCMTM-29	August 16, 2004	1994	9.125	5	(2)
BCCMTN-67	December 10, 2004	1997	5.25	2	(2) (20)
BCEC-12	September 21, 2005	1993	7.25	18	(1) (7) (20)
BCCD-V	June 9, 2008	1997	6.00	3	(2) (20)
BCCD-D	February 21, 2011	1991	10.75	13	(2) (20)
BCCD-K	January 9, 2012	1992	9.50	71	(2) (20)
BCCMTN-44	August 23, 2013	1995	9.60	3	(2) (20)
BCCD-N	August 23, 2013	1993	8.50	37	(2) (20)
BCCMTN-53	August 23, 2013	1995	8.50	12	(2) (20)
BCCD-Q	June 9, 2014	1994	7.50	6	(2) (20)
BCCMTN-34	June 9, 2014	1994	9.625	14	(2) (20)
BCCMTN-38	June 9, 2014	1994	9.60	1	(2) (20)
BCEC-13	November 30, 2023	1993	7.875	5	(1) (7) (20)
CPP Issues	various	1982/92	9.04–15.38	207	(2) (6) (20)
Other[1]	August 23, 2005/ August 23, 2013 and December 10, 2007	1987/95	8.00–10.14	1	(2) (20)
				Cdn$ 496	
U.S.					
BCEUS-2	February 5, 2003	1993	5.50–8.00	27	(1) (7) (20)
BCEUS-4	June 11, 2007	1997	7.125	40	(1) (7) (20)
Total Issues in US Dollars				US$ 67	
Exchange Premium (including Hedge)				23	
U.S. Issues at Canadian Dollar Equivalent				Cdn$ 90	
Euro					
BCEFF-1	January 30, 2007	1996	6.25	14	(1) (7) (20)
BCEFF-2	July 15, 2009	1997	5.875	41	(1) (7) (20)
BCEDM-1	July 21, 2010	1998	5.125	24	(1) (7) (20)
Total Issues in Euro[2]				Euro 79	
Exchange Premium (including Hedge)				47	
Euro Issues at Canadian Dollar Equivalent				Cdn$ 126	
Sterling					
BCES-1	December 31, 2003	1996	7.50	GB 9	(1) (7) (20)
Exchange Premium (including Hedge)				10	
Sterling Issues at Canadian Dollar Equivalent				Cdn$ 19	
Total Defeased Direct and Fiscal Agency Debt				Cdn$ 731	

[1] BCCD-U 8.0% (0.2 million), MTN-50 9.25% (0.4 million) and PRW 10.14% (0.2 million).

[2] On January 1, 2002, French Franc was converted into Euro at 1 Euro = 6.55957 FRF and Deutschemark was converted into Euro at 1 Euro = 1.95583 DEM

Appendix G: Debt Management Parameters

The following is a discussion of debt management parameters which form key considerations in the management of the government's debt.

1. Avoid funding under unfavourable market conditions

Provincial Treasury will typically manage its funding program ahead of actual requirements, thus mitigating the risk of accessing the market when interest rates are high or market conditions are not receptive to new financing. While Provincial Treasury relies on its outlook for interest rates and foreign exchange to guide the timing of its decisions for financing, fixed rate debt costs are generally "averaged-in" over the course of a year. Financing a large annual borrowing requirement strictly in accordance with a market outlook which may prove to be incorrect is considered to be imprudent.

In addition, Provincial Treasury has instituted measures to help safeguard against the possibility of severe financial market volatility which could hinder the government's financing ability. These measures include:

- containing the size of outstanding short-term debt through use of long-term floating rate debt. This increases the government's capacity for short-term financing if long-term debt markets become unfavourable;
- using the warehouse borrowing program from time to time to take advantage of attractive borrowing opportunities in advance of actual requirements;
- arranging a US $500 million internationally-syndicated backup line of credit. This is a standby facility to backup the province's short-term borrowing program. The federal government and other major provinces have set up similar facilities; and
- using borrowing proceeds to purchase high-quality investments and to generate profit for the government's matched book program. The investments are available to the government in the event of a capital market crisis.

2. Minimize risk of refinancing maturing debt

The orderly retirement of future debt obligations without incurring undue refinancing risk is important for minimizing interest costs. To this end, the government deliberately issues its debt securities across the full range of terms from one to 40 years. A broad mix of debt maturities avoids "crowding" of refinancing in any year and further reduces the government's exposure to future interest rate risk. As a result of this policy, the province's refinancing schedule is well-balanced, with an average level of annual net maturities over the next 10 years of C $2.0 billion (see Chart 3).

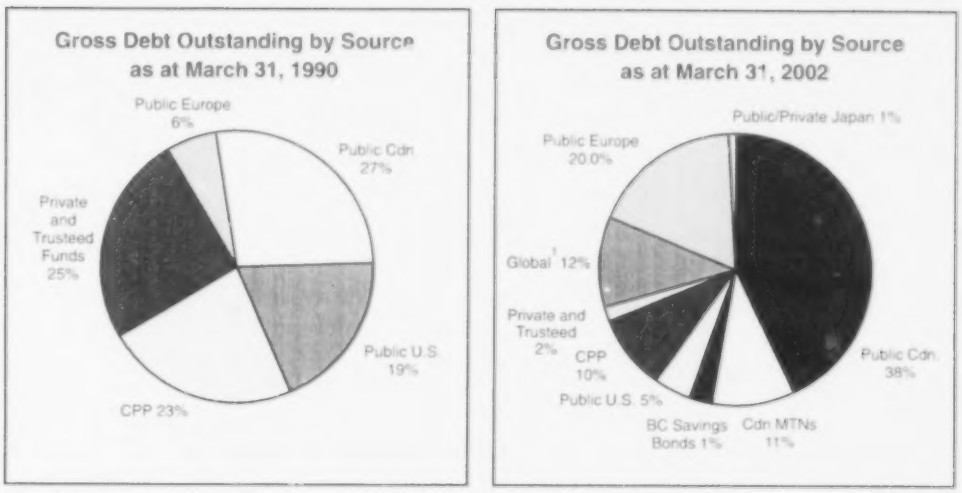
3. Diversifying funding sources to reduce debt costs

Borrowing sources are diversified to cultivate strong domestic and international investor demand for British Columbia debt securities. Strong demand helps minimize financing costs for the government. A broad investor base is also important, given the increased competition for funding and the need for multiple funding sources in the face of sometimes difficult and volatile capital markets.

British Columbia borrows from a variety of sources, including public financial markets in Canada, the United States, Europe and Asia; the Canada Pension Plan Investment Fund (CPP); private institutional lenders; and provincial trusteed funds. Chart 8 shows that, compared to 1990, borrowing sources have shifted from private placements, provincial trusteed funds and Canada Pension Plan, towards public capital

markets, particularly in Canada and Europe. Over the past eight years, international borrowings under the Euro Debt Issuance Program have generated significant savings over the cost of funds available at the time from the domestic market (those savings have totalled approximately C $25 million on a present value basis).

CHART 8



[1] A global debt security is offered simultaneously to investors in Canada, the U.S., Europe and Asia.

4. Foreign currency exposure is managed within conservative limits

From time to time, the government issues debt denominated in foreign currencies. The cost of repaying and servicing foreign currency denominated debt varies, in Canadian dollar terms, with the changes in the value of the Canadian dollar relative to other currencies. The exposure of the government's debt portfolio to changes in the value of the Canadian dollar can be effectively offset through various financial instruments including currency swaps.

The Risk Committee has set the maximum allowable foreign currency exposure for government's direct debt and the debt incurred for education, health facilities and public transit at 10 per cent of debt outstanding. U.S. dollar exposure was approximately 3.4 per cent or US $501.7 million and Japanese Yen exposure was 3.2 per cent or Yen 61.0 billion as at March 31, 2002.

Among the Crown corporations, only British Columbia Hydro and Power Authority (BC Hydro) carries U.S. dollar debt exposure. BC Hydro's U.S. dollar debt obligations are largely hedged through BC Hydro's U.S. dollar revenue inflows, as well as through other financial hedges entered into over the past few years. BC Hydro's unhedged U.S. dollar debt exposure was 33.2 per cent of its debt as at March 31, 2002, within the 44 per cent authorized limit set by BC Hydro's board of directors.

5. Prudent use of financial products

Subject to parameters set by the Risk Committee, Provincial Treasury uses derivative financial products for hedging interest rate and currency risks associated with the existing debt portfolio and new borrowings.

These financial products, or financial derivatives, are not used in a speculative manner, but rather are matched against specific debt obligations to balance the overall mixes of fixed-and floating-rate debt and currency exposure for the debt portfolios. In this manner, the province is provided with a sufficient degree of flexibility for raising funds, while ensuring that variation in the annual costs of debt servicing and repayment is maintained within a tolerable range.

The ability to offset or hedge exposures through the use of financial products lends flexibility to the funding program by:

- providing access to cost-effective Canadian dollar funding from foreign currency debt issues. Often, for example, foreign currency denominated notes issued by the province are effectively converted to Canadian dollar obligations at substantial savings compared with Canadian dollar financings in the domestic market; and
- supporting the province's strategy to "average-in" the timing and cost of its fixed-rate funding. Such financial products allow the province to access the market for funds when the market is most receptive, without having to immediately incur large amounts of fixed-rate debt. Fixed-rate financing is thus averaged-in gradually rather than incurred intermittently in large amounts.

In June, 1999, the province received legislative approval to enter into commodity derivative transactions. As is the case with financial derivatives, the province's use of commodity derivatives will be restricted by parameters set by the British Columbia Ferry Corporation's Risk Committee. The province will use commodity derivatives to reduce the risks associated with the purchase and sale of commodities by the government and its Crown corporations and agencies. The province completed its first commodity dervative transaction to hedge marine diesel fuel costs for the British Columbia Ferry Corporation on May 30, 2001.

The market value of derivative instruments changes as the underlying hedged debt securities change in value, impacted by interest rate and foreign exchange movements. The change in value of hedged securities will move in an equal and opposite direction to the related derivatives. Accordingly, in isolation from valuation of the underlying debt portfolio, the market value of the derivative portfolio has little meaning, save as an important measure of the replacement cost that would be paid or received to terminate the derivative agreements.

The province is subject to risk of default by the counterparty under the terms of a financial products transaction. For this reason, the Risk Committee sets restrictive and high credit criteria for qualifying acceptable counterparties with due regard to the market value or replacement value cost of derivative exposures. Furthermore, the counterparty credit agreements which have been negotiated with financial institutions provide legal and business protection to mitigate risk in favour of the province.